

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 20 - SB 23

February 15, 2017

SUMMARY OF BILL: Increases the property value threshold for determining the extent of any property tax relief payments to low-income elderly homeowners and low-income disabled homeowners from \$23,500 of the full market value of the property to \$25,000 of the full market value of the property.

Increases the property value threshold for determining the extent of any property tax relief payments to disabled veteran and surviving spouse homeowners from \$100,000 of the full market value of the property to \$175,000 of the full market value of the property.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$5,992,200

Assumptions Relative to Eligible Taxpayers and Public Chapter 481 of 2015:

- Public Chapter 481 of 2015 decreased, from \$175,000 to \$100,000, the property value threshold for property tax relief payments to disabled veterans and surviving spouses; the proposed legislation will restore the \$175,000 threshold.
- Public Chapter 481 of 2015 decreased, from \$25,000 to \$23,000, the property value threshold for property tax relief payments to low income elderly taxpayers and low income disabled taxpayers. Public Chapter 1065 of 2016 increased the property value threshold to \$23,500. The proposed legislation will restore the \$25,000 threshold.
- This act shall take effect upon becoming a law; therefore, it is assumed the first tax year that will be impacted is 2017.
- Given that property tax notices will be sent to taxpayers in late 2017, and paid by February 2018, the first fiscal year impact will be FY17-18.
- Pursuant to the provisions of Tenn. Code Ann. §§ 67-5-702 to 67-5-704, there shall be paid from the state's General Fund to certain low income elderly taxpayers, low income disabled taxpayers, and disabled veterans or their eligible surviving spouses the amount necessary to pay or reimburse such taxpayer for all or part of the local property taxes paid for a given tax year on a property that the eligible homeowner owned and used as his or her residence.
- Any change in property tax revenue received by the applicable local government entities is estimated to be not significant.

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Assumptions relative to Low Income Elderly and Disabled Homeowner Property Tax Relief:

- Public Chapter 481 was enacted in 2015; therefore, the last year with data available at the \$23,000 threshold is tax year 2014.
- Based on information provided by the Comptroller of the Treasury (Comptroller), the amount of actual property tax relief for low income elderly and low income disabled homeowners at the \$25,000 assessed property value limit was \$18,901,745 in 2014.
- Based on actual 2014 property tax relief data provided by the Comptroller, the calculated amount of property relief at the \$23,500 assessed property value limit would have been \$17,811,784 in 2014.
- Based on the growth rate in property tax relief payments over the last three years to low income elderly taxpayers and low income disabled taxpayers, the impact to this population has been projected forward to FY17-18 using an annual growth rate of two percent in order to determine the estimated increase in tax relief payments.
- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY17-18 will result in \$20,058,683 of property tax relief at the \$25,000 limit and \$18,902,008 at the \$23,500 limit.
- The recurring increase in state expenditures for low income elderly and disabled homeowner's property tax relief from the General Fund is estimated to be \$1,156,675 (\$20,058,683 - \$18,902,008) beginning in FY17-18.

Assumptions relative to Value Limits on Disabled Veteran Homeowner Property Tax Relief:

- Public Chapter 481 was enacted in 2015; therefore, the last year with data available at the \$175,000 threshold is tax year 2014.
- Based on information provided by the Comptroller of the Treasury (Comptroller), the amount of actual property tax relief for disabled veteran and surviving spouse homeowners at the \$175,000 assessed property value limit was \$11,888,156 in 2014.
- Based on actual 2014 property tax relief data provided by the Comptroller, the calculated amount of property relief at the \$100,000 assessed property value limit would have been \$8,708,743 in 2014.
- Based on the growth rate in property tax relief payments over the last three years to disabled veterans and their surviving spouses, the impact to this population has been projected forward to FY17-18 using an annual growth rate of 15 percent in order to determine the estimated increase in tax relief payments.
- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY17-18 will result in \$18,080,399 at the \$175,000 limit and \$13,244,909 of property tax relief at the \$100,000.
- The recurring increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Fund is estimated to be \$4,835,490 (\$18,080,399 - \$13,244,909) beginning in FY17-18.

Assumption Relative to the total impact of the bill:

- The total recurring increase in state expenditures beginning in FY17-18 from the General Fund resulting from the provisions of the bill is estimated to be \$5,992,165 (\$1,156,675 + \$4,835,490).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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